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CLBT.OQ - Q4 2025 Cellebrite DI Ltd Earnings Call

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## PRESENTATION

### Operator

Welcome to the Cellebrite fourth-quarter and full-year 2025 financial results conference call.

(Operator Instructions)

I would now like to turn the call over to your first speaker today, Mr. Andrew Kramer. Mr. Kramer, the floor is yours.

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### Andrew Kramer - *Cellebrite DI Ltd - Vice President, Investor Relations*

Thank you very much, operator, and welcome everybody to Cellebrite's fourth-quarter and full-year 2025 financial results conference call.

I'm joined today in Israel by our primary speakers, Tom Hogan, Cellebrite's CEO and David Barter, Cellebrite's CFO. Marcus Jewell, our CRO, is also participating.

This call is being recorded and a replay of the recording will be made available on our website shortly after the call. We'll also add a transcript.

Please note a copy of today's press release and financial statements, including GAAP to non-GAAP reconciliations, is available on the Investor Relations website at [investors.cellebrite.com](https://investors.cellebrite.com). In addition to the press release, we post a separate investor presentation that provides an overview of the business and our recent financial performance. I'd also like to remind everybody that the slide in your webcast viewer is a placeholder only. There are no actual slides to accompany our prepared remarks. We also publish supplemental historical financial information for each quarter of 2025 and 2024, along with full-year 2023 and 2022 on our Investor Relations website.

Additionally, unless stated otherwise, our discussion of our fourth quarter and year-end 2025 financial metrics, as well as the financial metrics provided in our outlook, will be done on a non-GAAP basis only, and all historical comparisons are with the comparable periods of 2024.

I'd like to remind you that today's discussion will contain forward-looking statements, including, but not limited to, the company's business operations and financial performance. All forward-looking statements are subject to risks and uncertainties and other factors that could cause matters expressed or implied by those forward-looking statements not to occur. They could also cause the actual results to differ materially from the historical results and/or from forecasts. Some of these forward-looking statements are discussed under the heading risk factors and elsewhere in the company's annual report on Form 20-F filed with the SEC on March 18, 2025. The company does not undertake to update any forward-looking statements to reflect future events or circumstances.

And with that said, I'll now turn the call over to Tom.

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**Thomas Hogan** - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Thanks, Andy. I'll just jump right in.

We closed 2025 with a solid fourth quarter that capped a year marked by meaningful strategic progress. We cemented our [Inseyets] offering as the gold standard in digital forensics, drove strong adoption of our SaaS and cloud-based offerings, extended our integrated AI functionality, completed our first material acquisition, and added important talent across the company.

We grew ARR by 21% in 2025, which factored the combination of a 4-point headwind from our US federal unit's actual performance versus our original plan and a nearly 4-point tailwind associated with the close of Corellium.

Overall, our ARR growth reflects expansion across all of our major geographies and our flagship offerings. We outperformed relative to guidance on both our fourth-quarter revenue and our adjusted EBITDA. Our growth and ongoing spend discipline delivered strong free cash flow of 160 million in 2025 and a 34% free cash flow margin.

I'd like to quickly share some of our fourth-quarter highlights and accomplishments that position us for accelerated growth in 2026.

First, we've now converted 55% of our installed digital forensics base to Inseyets, exceeding our 50% target and reinforcing our market leading capabilities.

Second, we doubled down on our mobile research to ensure our unlock capabilities continue to keep pace with the major phone manufacturers. We believe these investments will extend our leadership in Android and will reassert our leadership in iOS. We expect this range of leadership capabilities will hit the market over the coming six weeks and position Cellebrite as both the leader across each major segment, as well as the clear leader from a comprehensive cross-platform perspective.

Third, SaaS and cloud adoption remains outstanding. ARR for these offerings grew north of 50% and now represent 22% of total ARR. Guardian's impressive trajectory continued with its now 6th straight quarter of 100%-plus year-on-year growth. Guardian Forensics is rapidly becoming the industry's de facto repository for evidence that matters and where chain of custody is critical.

Fourth, we completed our acquisition of Corellium in early December while we continued our work to gain final clearance from CFIUS. Corellium's on-virtualization technology remains an industry unique and powerful asset. Customer interest across both defense and intelligence and the private sector continues to exceed expectations. We remain confident this asset will be highly accretive to our growth and will exceed our pro forma expectations when we announce the transaction in June of last year.

Looking ahead to 2026, we start the year well positioned to re-accelerate growth with initial guidance of 18% to 19% as compared with our organic growth of 17% and 25%. We see several levers for further acceleration as our portfolio and solutions evolve over the coming quarters, but chose to take a prudent approach to our guidance until these assets become generally available and we can confirm expected market adoption.

Let me recap the primary contributors to our expected re-acceleration.

First, core demand for our solutions remains strong. Macro tailwinds around crime, population growth, the use of digital in both the pursuit and resolution of crime continues to climb as validated in our recently released industry survey, and the constraints associated with human capital persist. Unfortunately, these known established macros have been exacerbated the past year by increased geopolitical tensions around the world.

Second, the well-chronicled disruptions in the US federal segment are thankfully now behind us. We expect the roughly flat growth performance of this unit in 2025 to re-accelerate and to exceed the company's overall growth rate in '26. There are multiple drivers that will contribute to this resurgence in growth. Pent-up demand and core unit growth, increased in focused federal funding and the final DOJ sponsored authorization to operate for FedRAMP level 4, which we expect to obtain before the end of this quarter after a lengthy 18-plus month process.

Federal ATO will pave the way for Guardian and our cloud assets in the US federal market. Augmenting these growth engines is our increased focus on more targeted defense and intelligence solutions as well as the product fit of Corellium and D&I. Given current mid-quarter visibility, we're optimistic this unit will get off to a fast start in the first quarter.

Third, we've elevated the quantity and quality of our go-to-market organization with a roughly 20% expansion in sales executives and our increased investments in enablement and training.

Fourth, within digital forensics, there are several important levers in terms of Inseyets conversions, the value proposition of our Inseyets upgrade cycle is now well understood, and many agencies have incorporated their upgrades in their planning and budgeting cycles for 2026. These dynamics position us well to drive conversions this year by an additional 25%-plus. Just as important, based on our anticipated platform leadership, we expect accelerated growth in the unlock business as we enter the second quarter and the remainder of 2026.

Fifth, we took an important and exciting step today with the agreement to purchase SCG Canada. The deployment of drones globally is not just growing, it's exploding. The drone market is expected to grow 20%-plus annually and surpass [\$53] billion by the end of 2026. Its constructive use cases are broad, ranging from surveillance and commerce to the safety of local law enforcement and national defense. Unfortunately, drones also enable nefarious use cases.

The US alone reported over 1.2 million drone violations in 2025. We believe drone forensics will rapidly become one of the most significant data sources for making our nations, communities, and businesses safer. Given our leadership in digital forensics and our customers' trust and dependence on our digital Inseyets, adding drone forensic leadership was both a logical and candidly necessary strategic decision.

This is a capability that will bring immediate value to defense intelligence and law enforcement agencies, as well as to the private sector that's charged with securing airspace around critical infrastructure, prisons, and dense locations such as airports and sports venues. This represents a modest but important move to address an emerging need and further elevate the impact of our AI-powered platform for multi-data source analysis. We expect to close this transaction by the end of the first quarter and we'll share additional details upon closing.

Sixth, with the recent closure of Corellium, we enter this year transitioned from a reseller to a fully integrated selling motion. We're driving elevated education and training across the Cellebrite go-to-market team and customer base and see meaningful growth opportunity across both the public and private sectors. Corellium will also clearly exceed the company's overall growth rates.

We're excited and optimistic about our progress in emerging leadership in digital investigations and analytics. These strategic assets grew 2.5 times faster than the overall business in 2025. Guardian Collaborate and Guardian Forensics are well positioned to sustain their 100%-plus year-over-year growth rates. In addition to the important ATO for the US federal market, we expect to obtain similar certifications in Australia, New Zealand, and select European nations later this year.

We will also launch Guardian Investigate this spring. This product is squarely focused on enabling criminal investigators, detectives, analysts, and prosecutors to build stronger case narratives, collaborate seamlessly in a secure workspace, leverage a diverse set of data sources and file types, including traditional smartphones, but also adding important sources such as call detail records, open source intelligence,

video, RMS, ballistics, and license plate data, and ultimately leveraging the most powerful AI-enabled analytics in the industry to navigate and interrogate this mountain of important evidence.

Feedback from beta and customer design partners has been exceptional, and we think it is a harbinger for accelerated deployment and growth in the second half of '26.

Pathfinder, our flagship analytic solution for multi-phone forensics, continues to grow and deliver important levels of insight and productivity to a growing percentage of our Inseyets install base.

And last but certainly not least, is our progress in the thoughtful and ethical use of GenAI. We've been pioneers in the use of machine learning and AI for the past decade and plan to extend that leadership in '26. While many view AI as a threat to software, we view AI as an absolute tailwind across three fronts.

The first is applying it across our internal organization to drive productivity and efficiency, and this initiative is well underway.

Second, AI enables significant improvements to the productivity of users of the Cellebrite portfolio, which ultimately elevates our value proposition and customer retention.

And third, we see meaningful opportunity to monetize unique and focused agentic applications that bring rich capabilities that transcend a range of use cases from child exploitation and missing children to cybercrime, to stagnant cold cases, and major criminal investigations.

I want to briefly expound on our constructive view on AI and why we view it as a force multiplier from both a business and a societal impact. Cellebrite's mobile extractions are at the epicenter of the most valuable, complex, and difficult to obtain sources of evidence that are relevant to virtually every investigation and the corresponding power and capabilities of any AI engine.

Said more simply, our unique intimacy with the most complex evidential artifacts give us a unique advantage in harnessing AI for good. That intimacy is then compounded by our domain expertise with investigative workflows leveraged by hundreds of man years of law enforcement experience. And finally, Cellebrite's history is grounded in the quality, ethics, compliance, and security that's earned us the trust of thousands of the largest and most sophisticated public safety and government agencies around the world.

GenAI can and will be a powerful force for good, but the stakes involved in crime and sovereign defense demand that advanced analytics are complemented by full traceability, ethical use, and human verification.

To conclude, I'm proud of our progress in '25. We navigated turbulence in the US federal space while still delivering healthy growth in both the top and bottom line. Just as important, we made critical investments throughout '25 that span organic innovation, strategic partnerships, and targeted acquisitions. Leadership and innovation matter, and we continue to invest in the long-term growth and leadership of this company.

We enter '26 with a truly differentiated end-to-end AI-powered platform that delivers high value Inseyets and intelligence from an expanding range of data sources. We are already hard at work on where and how we can expand our value for '27 and beyond. We have a bold aspiration to not just solve crime with efficiency, but to ultimately drive a material reduction in crime itself. We're proud of our impact in the world and we're anxious for the future.

With that, I'll turn the call over to Dave. He'll do a click down on the details and add further insight to our first-quarter and full-year guide. Dave?

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**David Barter** - *Cellebrite DI Ltd - Chief Financial Officer*

Thank you, Tom. I'd like to briefly share highlights from the fourth quarter and full year.

ARR grew 21% to \$481 million which includes Corellium. When we closed the acquisition on December 1, Corellium's ARR was \$16.1 million. Excluding this, our ARR grew 17% year over year, and sequentially ARR increased 6% over Q3. Perhaps even more noteworthy, after experiencing headwinds in the first three quarters, our net new ARR growth in Q4 was back to prior-year levels. This aligns with the remarks and the confidence we shared on our last earnings call that growth would reaccelerate in FY26.

Geographically, the Americas represented 53% of total ARR, while EMEA represented 35% and Asia-Pacific represented 12%. In terms of growth rates by geography, the Americas grew 19% with our US state and local government and Latin America teams leading the way. EMEA grew 24% and Asia-Pacific increased 23%.

Higher growth solutions like Pathfinder, Guardian, and now Corellium have become a larger percentage of our ARR mix. At the end of 2025, these solutions represented 14% of total ARR, and we anticipate that this mix will continue to shift closer to 20% by the end of the coming year.

Turning to revenue, in our Q4, revenue grew 18% to \$128.8 million which includes approximately \$1 million from the Corellium acquisition. For the full year, revenue grew 19% to \$475.7 million. Our software solutions drove approximately 90% of our fourth-quarter and full-year total revenue. Our fourth-quarter gross profit increased to \$110.8 million which represents a gross margin of 86%. Our full-year gross margin was 85%.

Fourth quarter adjusted EBITDA of \$38.3 million increased 33% over the prior year and the margin expanded by 340 basis points to 29.8%. For the full year, we generated adjusted EBITDA of \$127.6 million or 26.8% on a margin basis. We achieved this level of profitability despite a strong FX headwind as the shekel strengthened materially against the US dollar.

As Tom noted, we have continued to balance the investments required to drive innovation and fuel expansion with our focus on giving our teams the AI-enabled tools to elevate productivity and efficiency. We ended 2025 with 1,285 employees, up 10% over 2024.

Turning to the balance sheet, we ended 2025 with \$535 million in cash, cash equivalents, and investments, up \$52 million despite the outflow of \$147 million in net cash used to acquire Corellium in December. Free cash flow for the fourth quarter was \$82.3 million. For the full year, free cash flow was \$160 million or 34% on a market basis. This represents 30% growth over a 2024 free cash flow of \$124 million or a 31% margin. As a reminder, we remain very focused on re-accelerating ARR growth while maintaining a free cash flow margin of at least 30%.

As a vertical software company, we believe will be a beneficiary of AI. We are of the view that a strong ARR growth combined with a strong free cash flow margin strikes the right balance and enables us to serve all stakeholders.

Let's shift gears and take a look at our 2026 expectations. Before I review our guidance, I wanted to share a few thoughts around our guidance philosophy in response to investor questions on this topic.

While we were very deliberate about not changing Cellebrite's guidance framework when I joined the company midway through 2025, we have modified our guidance philosophy for 2026. In particular, we focused on setting prudent ARR and revenue expectations around tighter ranges that are corroborated by our renewals, deal pipeline, and applicable RPO coverage. Accordingly, we'll use tighter ranges for our quarterly and annual ARR and revenue targets. As we execute over the coming quarters, we'll reassess and revise those top-line targets as appropriate, and the same is true for adjusted EBITDA. Our initial view into 2026 ARR calls for a re-acceleration in our growth rate versus the 17% organic expansion we delivered in 2025.

I'd like to quickly revisit the framework from November on the 2026 drivers.

First, winning new logos and increasing price or mix on existing offerings is expected to generate several percentage points of growth.

Second, Inseyets through conversions, more pervasive deployments, and upsells on unlocks is anticipated to support growth in a meaningful way.

Our third growth driver involves Guardian and Pathfinder, the cornerstones of our digital investigation and analytics offerings. We expect this will contribute mid-single-digit percentage points to our ARR growth.

Corellium, our fourth driver, continues to experience healthy customer interest and demand. While it is still early days, we expect a contribution of at least a couple of percentage points to growth. And finally, we expect to improve gross retention.

In terms of our planned acquisition of SCG Canada, we have not yet incorporated any contribution into our outlook since the deal has not yet closed. It is worth noting that while SCG is currently a small business, it will bring innovative technology that we believe is highly complementary to our platform and will benefit greatly from our global distribution.

Looking at the first quarter, we expect ARR growth in the range of \$491 million to \$493 million or 20% to 21% growth. The combination of our recent Q4 ARR and our anticipated Q1 ARR demonstrate not only sequential stability, but an expansion motion in terms of absolute dollars versus the comparable quarters one year ago. We expect first quarter revenue in the range of \$127 million to \$129 million, an increase of 18% to 20%, and adjusted EBITDA in the range of \$26 million to \$28 million with a margin of 21% to 22%.

For full fiscal year 2026, we expect ARR in the range of \$567 million to \$573 million or 18% to 19% growth, revenue in the range of \$565 million to \$571 million or growth in the range of 19% to 20%. And adjusted EBITDA in the range of \$149 million to \$155 million with a margin of 26% to 27%.

As Tom noted, we are in the early stages of evolving our products and packaging in ways that are intended to ultimately make it easier for customers to expand the range of solutions they subscribe to over a multi-year period as they take advantage of our cloud- and AI-enabled offerings. While we anticipate this will serve as a stronger foundation for durable ARR growth, we also expect that a byproduct of this transition will be more radical revenue recognition over time. As a result, we continue to view ARR as the most relevant top-line KPI.

As you consider our outlook for profitability, I'd like to highlight a few elements. We anticipate, in line with prior fiscal years, approximately 60% of our adjusted EBITDA dollars will be generated during the second half of the year, which will be accompanied by stronger adjusted EBITDA margins. Our profitability also reflects two transitory headwinds that weigh on margins. The first item reflects the absorption of incremental Corellium costs we've added following the acquisition. We expect this impact will dissipate by the end of this year as top line expands. The other factor is foreign exchange, most notably the continued strengthening of the shekel against the US dollar. We continue to thoughtfully manage our overall cost structure while also taking pragmatic steps to limit the impact of FX volatility. In terms of free cash flow, we're expecting 2026 to be another strong year with anticipated FCF margins in excess of 30%.

And finally, I'd like to offer a thought on Cellebrite's rule of X performance. Historically, we have calculated our rule of X by adding our ARR growth rate and our adjusted EBITDA margin. As we have scaled our business and matured our execution, we have delivered adjusted EBITDA margins at levels well above the original floor of 20%.

Accordingly, we now view 25% adjusted EBITDA as our new floor on profitability, which also correlates at a high level with a free cash flow margin of at least 30%. Since more radical revenue will impact both topline and bottom line rates of expansion, we will be using ARR growth and FCF margin to measure our rule of X. We feel this will provide investors with more clarity and insight.

Building on Tom's comments around rule of X. We begin the year with an outlook in the upper [40s and an objective to drive performance to 50-plus].

Overall, the team delivered a successful 2025 despite the transitory headwinds in the US federal market. We are moving into 2026 with optimism around our prospects to further re-accelerate ARR growth while delivering attractive profitability and free cash flow. We look forward to sharing our progress in 2026 with you as we execute on our plans over the coming quarters.

Operator, that concludes our prepared remarks. We are ready for Q&A.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Bhavin Shah, Deutsche Bank.

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### Bhavin Shah - Deutsche Bank AG - Analyst

Great, thanks for taking my questions and congrats on solid into the year and a strong '26 guide. Maybe first on the acquisitions, I mean, you kind of announced SCG Canada, you're expected to close kind of two deals in quick succession. How do you guys think about ensuring that you can execute against the strategy for both of these deals along with maintaining a focus on the core?

Do you feel like you have to make any internal changes as you fold these companies in? And how do you guys think about allocating resources amongst the core relative to Corellium and SCG?

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### Thomas Hogan - Cellebrite DI Ltd - Chief Executive Officer, Director

This is Tom time, I'll take it.

So first, the Corellium transaction took longer to close than we anticipated. The good news with that is we've now had, essentially seven-plus months since we announced the deal, to get into a rhythm and a cadence. We think the reseller deal quickly after announcement given some of the delays. And so from a training go-to-market, there were limitations obviously that you have, where you can't fully operate as one entity pre-closed, but while it may feel concurrent given that closed early December, and we expect to close SCG by the end of this quarter, realistically or from a sort of an executional challenge perspective, there was pretty good spacing between the two.

And then the second thing that, and I'll probably anticipate the question that somebody's going to ask is, how big is the breadbasket with the SCG deal. They're currently, we're super excited about it because just the whole, the drone world is, as I said, exploding and having market-leading drone forensic capability is hugely compelling and so we think the growth trajectory of that business is also going to be, I'll just say and I hate to use exaggerated terminology, but breathtaking, I think, description but for our stakeholder it's a currently a small operation so they're the market leader in our view, but we're talking about a business that's low-single-digit millions, and so the complexity of that business and by the way this is what we do so instead of using our devices on UFEDS to extract forensic data from phones, we're now using their CFID to extract forensics from a drone and so, this couldn't be more sort of core and complementary to who we are and what we do. So the dive difficulty here is actually relative to a standard acquisition. The dive difficulty here is low.

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### Bhavin Shah - Deutsche Bank AG - Analyst

That's super helpful there.

And just a quick follow-up just on the last point you're talking about the drone opportunity. Understanding it's still very nascent here, but like how did this kind of come about in terms of looking at the asset? Was this something that customers are asking for? And -- or is this something that -- as you look two to three years, three years down the pipe like this is something that's going to be more meaningful? Like what drove it and how we (multiple speakers) budgets are coming from as well?

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**Thomas Hogan** - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Yeah, so the good news is the answer is both. So, in particular, in the short run, and Marcus might comment on this, but in the Defense & Intelligence world, A, they're already using the technology, and as they look to their plans and procurement and the need to expand given the proliferation of drones, the demand from our mutual customers is loud and clear.

And then as we do strategic planning, one of the things you would expect from us is to always look out, kind of skate to where the puck's going from a TAM perspective and say what are adjacent markets that bring big TAM to the Cellebrite value proposition and the moves we're making in the whole investigative world and analytics now combined with the moves we're starting to make in drones. The TAM of those two added markets is actually about 5x the core TAM that we've been chasing for the last 19 years. So both from a strategic planning and customer demand, it was sort of one of those -- it was one of the most obvious strategic moves I've seen in my 43 years.

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**Operator**

(multiple speakers)

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**Marcus Jewell** - *Cellebrite DI Ltd - Global Chief Revenue Officer*

I'll just add to Tom's comment there as well that yes, there is customer demand where we're deploying. We effectively take data from sensors. The biggest sensor out there is a cell phone, but a drone in four deployed and borders and those areas is one of the other sensors which is definitely required. So yes, there is already demand and there's already trading for those solutions.

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**Operator**

Jonathan Ho, Willaim Blair.

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**Jonathan Ho** - *William Blair Capital Partners - Analyst*

Let me echo my congratulations as well.

I wanted to start out with, maybe a little bit more color on the investments that you made to extend your mobile forensics leadership that we'll see, later on, this quarter. Could you maybe help us understand, what this could mean from either improving net retention, win rates, or product expansion perspective?

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**Thomas Hogan** - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Yeah, so, Jonathan, the investments were basically doubling down with our internal research team to both extend our leadership in Android and to also ensure that, look, we'd love for people to just standardize on us for the front end, unlocking access from a platform perspective, but we don't want them to feel like they're making any sacrifice. So the goal is to have a leadership offering in both of the major OSs, both Android and iOS.

And so the investments were made in our internal research team to make that happen in conjunction with several external partnerships which by the way is not new, it's sort of standard operating procedure for us for the last 15-plus years to leverage the combination of our internal badged researchers with some of the best and brightest researchers in the world to help complement our capabilities and so we've doubled down on one of those partnerships.

And we've added another one that helps bring new attack vectors for exploits and vulnerabilities and when you roll those partnerships together with the innovation, that's why we feel so optimistic about us having a very clear leadership position across the board. And if that comes to fruition, given the importance of access, it will clearly drive accelerated growth on the front end of our unlock access and our Inseyets' penetration and market share and year-to-year growth.

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**Jonathan Ho** - *William Blair Capital Partners - Analyst*

Got it.

And then, yeah, just in terms of your comments around the US federal government spending environment, where are you seeing maybe the most pent-up demand? Where are you seeing sort of improvement in terms of sort of the malaise that we saw last year? And what sort of gives you the confidence that this can sort of return to a stronger growth rate?

Thank you.

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**Thomas Hogan** - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Yeah, I covered the -- like the macro categories, but I'll let Marcus because he's really dialed in and close to this. He can give you maybe a better answer, but I think you'll hear, there's sort of empirical data and meet behind our enthusiasm, but Marcus, why don't you take a shot at that question.

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**Marcus Jewell** - *Cellebrite DI Ltd - Global Chief Revenue Officer*

Sure. Yeah, it's kind of a do say as we said over the last six months. So what we're seeing is reminding everybody of the use cases which are used. There's obviously the defense and intelligence use cases which the world continues to get stranger and stranger and more threat.

So in four deployment areas where data collection in the new kind of war situation is incredibly important, we're seeing those use cases build out and a lot of confidence build around those, not only on a federal level but also on a global, national level, and you saw that strengthen our EMEA results as well.

Border security continues to be across the world a big area and a lot of money is going into that. And then there's also some external things. There's a big World Cup -- FIFA World Cup coming to the US, that's going to be potential for a lot of serious crime and that has to be prevented as much as possible and we are used in the deployment of those areas. So that's the confidence that we see.

The agencies remember under the Big Beautiful Bill we're given a two-year budget, so they're able to get ahead now and start thinking and plan more strategically, and our competitiveness with our product means that we'll feel comfortable in those positions. So it's the same story of those hardening use cases with more stability from that.

And then the final point, as Tom mentioned in opening remarks will be the ATO, the Authority To Operate, for our Guardian solution, which means we are unique in a position of the only people that can actually store and share forensic data under the FedRAMP approval, and that opens up multiple petabytes of opportunity for us to capitalize once we get through the ATO process in the next few weeks.

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**Operator**

Shaul Eyal, TD Cowen.

**Shaul Eyal** - Cowen and Company LLC - Equity Analyst

Congrats on solid 2025 completion.

Tom, maybe just for clarification, I've been getting some emails from investors. On that small drone tuck-in acquisition the scope -- the low-single-digit millions, I think you've indicated, is that the price paid or is that a potential ARR contribution? I don't know, like, first half or, maybe even like, first quarter once you close it. And maybe any head count number you can provide us with as it relates to this acquisition.

And I have a follow-up.

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**Thomas Hogan** - Cellebrite DI Ltd - Chief Executive Officer, Director

Yeah, okay, good question. So let me be clear and helpful. So we're inheriting a low-single-digit ARR run rate. It's a small scale although market leading solution. Price paid -- we haven't closed yet, so there's a couple of conditions that we're chasing down here in the next week or two. But we'll be in the \$15 million to \$20 million range for the company and then it -- we'll be disappointed in the midterm if the AAR growth potential for that business isn't well north of that \$15 million to \$20 million, so this this -- we're hitting this at the right time, which, part of what we moved fast here and we think asserting ourselves as a first mover at scale to address drone forensics is going to pay big dividends for the company.

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**Shaul Eyal** - Cowen and Company LLC - Equity Analyst

No question about it, makes a whole lot of sense.

Maybe with respect to the model, how should we be thinking about second half versus first half linearity? Should we be most -- should it mostly resemble 2025 trends, or should there be any -- maybe kind of little deviations as we think about second half versus the first half?

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**David Barter** - Cellebrite DI Ltd - Chief Financial Officer

Great question, thank you for asking. I would actually model the from a top-line perspective model it pretty close to '24 in terms of that split, which was largely, a little less than [40 in the first half and 60] in the second half, and that kind of maps to what I think Tom highlighted in his remarks around the number of offers that are coming to the market.

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**Shaul Eyal** - Cowen and Company LLC - Equity Analyst

Thank you so much. Good luck.

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**Operator**

Jeff Van Rhee, Craig-Hallum.

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**Jeff Van Rhee** - Craig-Hallum Holdings LLC - Senior Research Analyst

Congrats on that free cash flow margin in particular.

Tom, on the AI side, just spend a second and talk a bit more about these opportunities. Specifically, you talked about agentic applications, cybercrime, child exploitation, et cetera. Just talk a bit more about exactly what those would be and how you monetize them, if you would.

**Thomas Hogan** - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Yeah, so we're parallel track kind of tracking our efforts in AI, so there's a lot of work being done by the core product and technology team to integrate advanced AI capabilities that drive productivity, so, things like media classification and summarizing text chats and report generation and identifying conflicts in testimony and just -- a list of things that turbocharge our current stack and deliver a lot of productivity to our users and we're going to continue to elevate and identify more opportunities to do that real time.

In parallel, we have an innovation -- an AI innovation center that's been missioned with developing more specific agentic applications and use cases that based on feedback from design partners and some sort of early evaluators I guess, are getting -- we're kind of pleasantly (laughter) shocked at people's enthusiasm to begin to deploy these agentic apps and I gave you some examples, and I won't name the departments, but in talking to the chief of the investigative unit in the US, the large US police department, his response was, so wait a minute, I can deploy this app and just turn the engine loose on a stack of missing children cold cases and see what this application can surface that might provide added insights that we had overlooked and then merit or make it worth the time of a detective to circle back and pursue the investigation.

So in terms of your question, Jeff, about monetizing, the candid answer is we are working on that real time like as we speak to figure out, and I think a lot of software companies are sort of wrestling with what do you sort of bundle as an enhancement and a value-added to the product's core capability which we're doing with Guardian Investigate. And then what are the things that you can monetize and then what are the price points but one of the messages I would give to the shareholder base is candidly, the guidance that we have in place today assumes -- the assumption in the guidance assumes that we don't monetize any of that in '26 and based on the feedback we're getting, I actually think there is going to be an opportunity in fiscal and calendar '26 to start to monetize some of these agentic applications.

**Jeff Van Rhee** - *Craig-Hallum Holdings LLC - Senior Research Analyst*

Yeah, great, fantastic.

A couple maybe from Marcus, just Marcus looks like, I think maybe Tom called it out in the script spending or adding 20% more capacity in terms of sales heads. Talk about just where you're allocating those heads, like how are you thinking about the assignment and where you're pointing those folks, and then in particular if you comment on D&I, obviously with SCG and Corellium, you seem to have a deeper toehold and TAM opportunity in D&I. Does that require a different motion, different touch points, and is that an area of particular focus?

**Marcus Jewell** - *Cellebrite DI Ltd - Global Chief Revenue Officer*

Indeed, yeah, let me break that down. So, in -- we'll start with public safety, which is the largest part of the business, as you know there's still scope for ad heads there. We feel that we, our coverage even in SLG in the US can increase and so we've increased in penetration, especially into the medium and small agencies across the US. So that's one area where we've put a well-trodden motion and we repeat and extend on that.

The next area which is probably getting missed is through the Corellium play we have a Viper which is a pen testing solution which is proving very, very interesting and successful with the enterprise. So we've increased our coverage in the enterprise business for our mobile app penetration testing, actually financial services is one of the largest customers we have. A lot of you guys on the banks there run multiple apps and they need to be checked that they're safe and kind of be penetrated and that's been a real uptick for us so we've increased our coverage on the specialization there.

And then the third area is D&I and we're delighted that we brought back one of our leading salespeople who left us for a little break and has come back, to head up a global development there. He's an ex-special forces person and is driving a new global standard for us around the D&I space and we've added resources both in Europe and the US to cover that.

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**Jeff Van Rhee** - *Craig-Hallum Holdings LLC - Senior Research Analyst*

Wow, maybe just one last for me then, Marcus. On the FedRAMP, is that there a backlog sitting there that have been kind of waiting for this, and should you see a surge from that, and then maybe to put a finer point on it, I think in a prior call you or Tom, I believe, had mentioned a very large deal. I believe you'd said the largest deal that you'd ever seen that was looking like it was lined up for an H1 '26 close. If I have that right, can you give any update on that?

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**Marcus Jewell** - *Cellebrite DI Ltd - Global Chief Revenue Officer*

Yes, so let me tackle the second part of the question first. So we have multiple threads of large annual spend in the first and second half of this year. So we feel confident about our position trending there, but I'd like you to think about that there's not one single customer. There's actually three or four different programs, which are all in seven figures for us. So we continue to track well and we feel good about our technical evaluation position in multiple threads there.

The second point is could you actually ask the first question again? Sorry, I lost my thread there.

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**Jeff Van Rhee** - *Craig-Hallum Holdings LLC - Senior Research Analyst*

I think we were talking about the federal side. I was most interested in the big deal that you had talked about.

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**Marcus Jewell** - *Cellebrite DI Ltd - Global Chief Revenue Officer*

Yeah, the big deal continues to track well, so we feel good about that. These big deals tend to scale up and grow. Procurement can be complicated, but we feel good. But I want you to think that there's not one, there's multiple agencies both in state and local and in federal, which have multiple big deal opportunities for us, so we continue to track well against the one we highlighted, but we're actually adding fire to the fuel to the fire on that.

And then the first part -- it was ATOs -- come back to me now. Yeah, look, I mean when you say backlog I've got to be careful because a backlog would suggest that we have a purchase order. What we do have is we've seen our largest bid go out. We have scoped an initial contract for a large federal agency and their storage requirements which exceeds 9 petabytes and that would equate to a very large deal that would be certainly the single biggest transaction we would have ever done, and we continue to track well. We want to get through the ATO process, which we're confident on, and then we will talk about turning that into real revenue as quickly as we possibly can.

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**Operator**

Mike Cikos, Needham.

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**Mike Cikos** - *Needham & Company LLC - Analyst*

Great, thanks for taking the questions here guys and [I'll let others] congratulations on the strong finish of the year.

I wanted to come back to the Inseyets conversions and the unlocks for a second. Can you help us think about how the adoption of unlocks trended in Q4?

And Dave, I know you went through a number of different vectors that give you guys confidence in that ARR reacceleration in the coming year. But what are your assumptions, as far as how Inseyets and unlocks play into that? I just want to make sure I was clear on that, and then I have a follow-up.

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**David Barter** - *Cellebrite DI Ltd - Chief Financial Officer*

Okay, Mike, let me kind of break them apart between the Inseyets and the unlock because I think they'll have different dimensions. I think we ended it with Inseyets at about 55%. Overall I think we feel good. I think that will follow our deal -- overall broader deal seasonality just from the standpoint that the transitions will probably occur with deal contract expirations and so probably follows that linearity of or the seasonality I described earlier about how things unfolded over the course of fiscal year '24.

I think the unlocks will be a little bit different just from the standpoint that as Tom alluded to there is work and new technology that'll be hitting the market and so that really will start to kick in, in -- how I'll call late Q1 but really Q2, and then I think it builds and it ramps from there. Now some of it will be linked to expiring agreements, some of it will be expansions of existing deals, and that's a little why we kind of called out his remarks. We want to see how the market reacts to give you a little bit more color around how it unfolds.

So we have a -- I guess, Mike, I have a thesis, but I need a little bit more data, and that was kind of incorporated in the guidance.

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**Mike Cikos** - *Needham & Company LLC - Analyst*

Understood. Okay, thank you for that.

And then for the follow-up here, just wanted to get a better understanding. I'm happy that we have Corellium in the rearview as far as the closing in December, and the expectations for a couple of percentage points growth in the coming year. Can you just help us think about the cost base that Cellebrite is now carrying for that asset and how that impacts the calendar '26 guide? I know you cited specifically Corellium as well as the headwind from an expense perspective tied to FX, but just wanted to make sure I was thinking do that properly.

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**David Barter** - *Cellebrite DI Ltd - Chief Financial Officer*

Yeah, so let me maybe just kind of tether with some numbers. I mean, it's about a point of compression on margins due to the Corellium, and we -- and I think as we shared in the remarks, we'll grow into it over the course of the year. So it's a little bit heavier in the first couple quarters. We'll get some leverage in the second half, and as we go into '27, we'll be cooking well, and so we kind of picked up a wonderful, wonderful technical team, and they're just -- we're really excited with what they're already doing.

And then FX is a healthy -- it's more than a point that's ultimately burdening the P&L. We ended the year with a pretty healthy hedge, but nonetheless we're taking on a healthy point of compression just due to the strength of the shekel. So two points of extra headwind than what we expected, and I think it ends up being a temporary headwind in the sense that I think it actually passes through the P&L this year and we kind of come out the other side with better profitability and again I think cash flow margins continue to remain at a pretty compelling place.

Does that help, Mike?

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**Operator**

Brian Essex, J.P. Morgan.

**Brian Essex** - *JPMorgan Chase & Co - Analyst*

Great. Thank you for taking the question and congrats on the results. Great to see the stabilization, particularly in the Fed.

Maybe Dave, if I could maybe have you unpack a little bit of the commentary you had on the guidance, particularly with regard to the prudence of guidance and the tighter ranges around ARR for your targets. Could you maybe help us understand the philosophy that the company had over the past few years and maybe how that's changed, how it's tighter, is it -- where are you narrowing the guardrails? Is it around upside to give yourself more cushion or maybe just help us understand the level of conservatism and the setup as we kind of head into the fiscal '26.

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**David Barter** - *Cellebrite DI Ltd - Chief Financial Officer*

Okay, it's a great question. Thank you.

I think if you were to rewind the clock and compare where we are today versus where we were, I think we had a \$15-million spread on ARR last year. Right now we're calling \$6-million spread. And I think what you probably, Brian, you've seen is I think there's a pretty healthy degree of forecast accuracy and so we've rolled through and quite frankly, as you know the business and it has a strong customer base motion and it's complemented by a smaller new logo motion just given how the initial lands happen, so we really used our customer base motion to really inform it and so we actually looked at the pattern of our expirations, looked at the upsell. This is where we went from the expirations to the expansion at the time of renewal. That's what we started to model in.

And then we built in some of those points that Tom talked about, but where we had a little bit less visibility, that's where we snapped the chalk line. So that's how we kind of ultimately got to a \$6-million spread looking at the \$18 million to \$19 million and then we pulled it through the P&L.

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**Brian Essex** - *JPMorgan Chase & Co - Analyst*

So maybe that variability was previously included in the guide maybe you're pulling that back a little bit.

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**David Barter** - *Cellebrite DI Ltd - Chief Financial Officer*

Correct. In general, I kind of look out and you know as I look at it I try to go for a high degree of visibility and then as I get a little bit smarter ultimately that's what I incorporate. And so (multiple speakers) you know helpful a little bit as you've kind of (multiple speakers) okay, super.

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**Brian Essex** - *JPMorgan Chase & Co - Analyst*

Oh yeah, sorry.

And then maybe just to follow-up on your comment around gross retention. The comment that you expect to improve gross retention, where have you seen maybe the points of improvements and how does that like translate into what you have for expectations into fiscal '26?

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**David Barter** - *Cellebrite DI Ltd - Chief Financial Officer*

Yeah, it's a great question. I guess I can start to see it almost beginning with our kind of our flagship for our platform in the form of Inseyets and unlock, and so I think there are signs that that's going to get better. I think quite frankly, with the maturity of where we're at both on Pathfinder and Guardian, I think we see the signs whereas we have customers really operating on very current versions of Pathfinder and expanding on those versions and then certainly quite frankly just the build out on the Guardian platform.

So there there's a number of compelling features and then as Tom alluded to the customers that are starting to experiment, these are our design customers using AI that naturally tag ties into both Guardian and Pathfinder and so they will get quite frankly pronounced impact from the adoption of AI and the fact that they're uploading more and more data and using it that way, I think gives us increased conviction.

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**Operator**

Eric Martinuzzi, Lake Street.

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**Eric Martinuzzi** - *Lake Street Capital Markets LLC - Analyst*

Tom, I wanted to dive a layer deeper on your comments regarding AI. Curious to know, in your conversations with customers, obviously there's tools that they use outside of your C2C platform. Are they pulling you in a direction as far as where they want you to see enhancements made in the platform, or is it just, hey, we've got AI within the C2C platform and people aren't straying from that.

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**Thomas Hogan** - *Cellebrite DI Ltd - Chief Executive Officer, Director*

I'm not -- can you try that again? I'm not sure -- ask again (multiple speakers) just make sure I answer the --

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**Eric Martinuzzi** - *Lake Street Capital Markets LLC - Analyst*

Yeah, there are kind of open market tools for generative AI outside of the C2C platform. Just curious if customers are pulling you in a direction where they want to see investments made in your platform, tools they're using that aren't (multiple speakers) --

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**Thomas Hogan** - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Got it. Okay, no, yeah, no, the good news is everybody's tinkering, and what the early tinkerers are discovering, especially as they start to see and hear about what we're doing, candidly they're seeing a huge gap in what we're able to produce in terms of the depth, the quality of the kind of the AI output, and which makes sense for the reasons I shared earlier given our knowledge and access to you know the complex and critical phone data and so instead of them saying [the honest answer] right now is instead of them saying, hey, can you kind of shift course 10 degrees here because this is what would help me or this is where I'm going as they're learning and discovering what we're doing. Actually what they're saying is I'm going to stop and I'm going to adopt and the products and the capabilities that you're bringing to market.

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**Eric Martinuzzi** - *Lake Street Capital Markets LLC - Analyst*

Understand. And then is that you know as you look at the pipeline and this is kind of product development pipeline you talked about forensic investment as a key area, how are you using AI in that forensic investment part of the R&D?

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**Thomas Hogan** - *Cellebrite DI Ltd - Chief Executive Officer, Director*

Are we using--

**Eric Martinuzzi** - Lake Street Capital Markets LLC - Analyst

(multiple speakers) you want to -- you want to maintain your leadership (multiple speakers) right on the first specifically in the forensics part of the product.

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**Thomas Hogan** - Cellebrite DI Ltd - Chief Executive Officer, Director

Yes, so if your question is, are we leveraging AI to extend or maintain the forensic capability, is that the question?

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**Eric Martinuzzi** - Lake Street Capital Markets LLC - Analyst

Yes.

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**Thomas Hogan** - Cellebrite DI Ltd - Chief Executive Officer, Director

To be honest, what we're leveraging more right now from a technology perspective is the Corellium asset, so that's been a tool for us for the past five years, and now we own it, so we use that to accelerate the identification of vulnerabilities and exploits.

If the question is there a magic AI engine that can go surface vulnerabilities. Maybe that will happen in three years or five years, but we don't see that right now.

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**Eric Martinuzzi** - Lake Street Capital Markets LLC - Analyst

Yeah and just obviously the -- all software stocks and yours in particular seem to have gotten hit here the past few weeks and with that assumption in mind, it's a head scratcher for me I'm sure it is for you guys as well but just had to ask the question.

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**Thomas Hogan** - Cellebrite DI Ltd - Chief Executive Officer, Director

Yeah, no, it's -- I think what we would say generally is given the nuance of what we do, the specific use cases, the workflows, the complexity of the data on phones, this is not some standard research or task that a lot of these engines are capable of essentially outsourcing and driving and so this is why we think AI for Cellebrite and probably a handful of other companies in very specific nuanced industries, this is actually a tailwind and a force multiplier for us that we're going to harness and both deliver value to our shareholders but also deliver more value and speed and insight to our customers.

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**Eric Martinuzzi** - Lake Street Capital Markets LLC - Analyst

So, thanks for taking my question.

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**Thomas Hogan** - Cellebrite DI Ltd - Chief Executive Officer, Director

Yeah, we scratch our heads on the whole AI is going to make software go away. We have kind of the complete opposite view, so.

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**Operator**

Thank you.

**Eric Martinuzzi** - *Lake Street Capital Markets LLC - Analyst*

Operator, any other questions?

**Operator**

This does conclude the Q&A portion of today's call. I would now like to turn the floor over to Andrew Kramer for additional or closing remarks.

**Andrew Kramer** - *Cellebrite DI Ltd - Vice President, Investor Relations*

Thank you, operator, and I'd like to thank everybody for joining us this morning. If you do have any questions, please feel free to follow-up with Investor Relations, and we look forward to speaking with our shareholders and prospective shareholders over the coming days and weeks.

Thank you.

**Operator**

Thank you. This concludes today's Cellebrite fourth-quarter and full-year 2025 financial results conference call. Please disconnect your line at this time and have a wonderful day.

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